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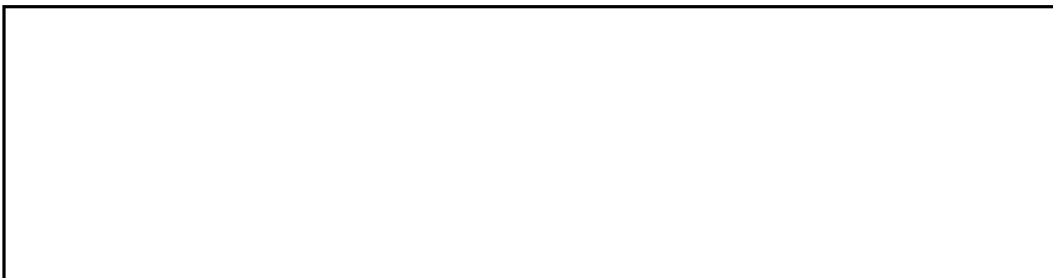
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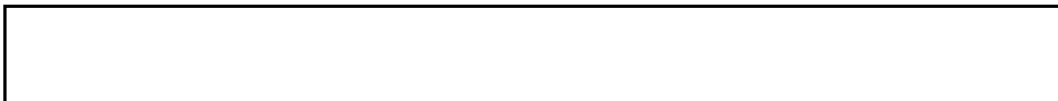
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PORTUGAL

The antigovernment campaign being waged by the Communists and the far left has sparked rumors that radical elements are planning to overthrow the Azevedo government. In response, President Costa Gomes yesterday issued stringent directives aimed at recovering illegal arms, many of which are feared to be in the hands of extreme leftists.

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Past rumors of coups—from either the right or left—have often cited November 11 as the deadline for a power play in Lisbon. The rationale for this timing is that a new government would need to be in complete control in order to influence the outcome in Angola. Events in Angola have taken on a momentum of their own, however, and there is little any Lisbon government can do to alter their course dramatically.

A move to overthrow the shaky Azevedo government by any of its many opponents is clearly possible. In the near term, however, another confrontation between radical and loyal elements in the military is more likely.

The radical "Soldiers United Will Win" organization is spearheading the effort to keep the government under pressure while plotting to overthrow it. They are continuing their protests on several fronts:

--Rebel soldiers who mutinied in Porto last week announced that they are not satisfied with the "compromise" negotiated by army chief Fabiao and are threatening another round of violence.

--Radical troops joined extreme left-wing civilians yesterday to demand that Radio Renascenca, the church-owned station previously seized by leftist workers, be reopened by the government. The station has been silent for three weeks.

--"Soldiers United" has held a series of rallies during the past week, in conjunction with radical farm and industrial workers groups, calling for "popular power" and the dissolution of the Azevedo government.

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The 18-man Revolutionary Council, headed by Costa Gomes, issued new security directives after an all-night meeting that began on Thursday. Military units were ordered to open fire on anyone illegally using firearms against civilians, soldiers, or the police. Individuals possessing illegal arms were given one week to turn in the weapons or face prison terms and fines. Whether the government enforces these measures remains to be seen.

The uncertainties in mainland Portugal once again appear to be having repercussions in the Azores. A call by the Azorean Liberation Front for an immediate referendum on independence has gotten little response from the government, but it has stirred separatist activity.

The Azorean flag—which has come to symbolize separatist sentiment—has been flown in several small towns in the past few days, and an attempt to remove one near Ponta Delgada reportedly led to a scuffle between troops in and out of uniform. The military has since increased security, but the episode suggests that the reliability of army troops is also questionable in the islands.

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WEST GERMANY

Moscow's latest proposal for the construction of a West German - built nuclear power plant in the Soviet Union is creating political problems for Bonn. The principal difficulty is that the Soviets are now insisting that the East Germans participate in the multimillion dollar installation which is intended to supply electric power to West Berlin and West Germany.

West German officials told the Western allies earlier this week that the bilateral project, first proposed by the Soviets two years ago, is virtually dead.

The revised Soviet proposal suggests that political considerations outweigh the economic attraction of the project. Moscow is reluctant to accept an arrangement that strengthens ties between Bonn and West Berlin, as would have been the case with the original project. Moscow is probably also trying to avoid impugning East German sovereignty, especially at a time when certain Soviet policies appear to be causing economic problems for East Berlin. The East Germans have long insisted on control over transmission lines across their territory.

Moscow terms the powerplant project a joint West German - CEMA endeavor in its new proposal. Putting it in this context has the additional benefit for Moscow of strengthening the prestige of that Soviet-dominated organization since, if accepted, the proposal would set a precedent for a Western nation to deal directly with CEMA.

West German officials are sharply divided over the new Soviet proposal. Some insist that Moscow keep to the original bilateral concept. Others would find a trilateral project acceptable if the Soviets were to reaffirm a commitment to transmit electric power directly from the plant in Kaliningrad to the Federal Republic via West Berlin.

The Soviet proposal does not appear to meet this West German concern; on the contrary, it recommends that CEMA power lines in Poland and East Germany transmit the electricity. The Schmidt government can not afford politically to go along with this proposal because it would give East Berlin and Warsaw control over power supplies to West Germany.

No firm policy guidelines have yet emerged, but the West Germans are probably willing at least to discuss the Soviet bid if Moscow gives a firm guarantee that Pankow will not interrupt power deliveries to West Berlin. To ensure this, Bonn would insist upon a direct link from Kaliningrad through West Berlin to the Federal Republic.

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OMAN-IRAN

Omani aircraft attacked artillery positions inside South Yemen yesterday, according to an official announcement in Muscat, probably marking the beginning of the Iranian-Omani offensive against the leftist rebels in Dhofar Province. Oman claimed the attack was in retaliation for the continued shelling of its territory and was launched only after repeated protests to the Aden government failed to halt the firing. An Omani patrol boat fired on rebel positions east of Hawf.



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The South Yemenis probably will not take any major retaliatory action against Oman at this time, although Aden will likely dispatch more regular army units to reinforce its forces in the border area. The South Yemenis have long portrayed the fighting in Dhofar as a struggle to drive Iranian troops out of the peninsula and are likely to play up the bombing as an attack upon Arab territory by an Iranian-supported puppet regime.

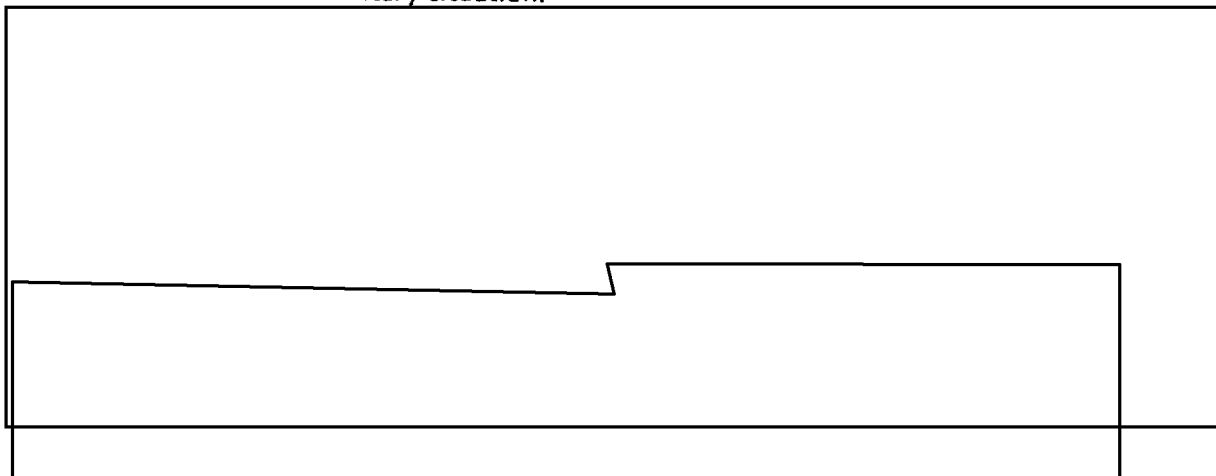
The Shah and Sultan Qabus apparently are determined to inflict a military defeat on the rebels. Both leaders have criticized the British commander of the Sultan's forces for his cautious approach to the war. They believe that the rebellion can be finished much sooner than the present plan calls for.



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In the last few days, Iran has launched a media campaign playing up communist support for the Dhofari rebels. The propaganda blitz evidently is aimed at justifying Tehran's role in the quickening military situation. Radio Tehran is emphasizing that a rebel victory would threaten not only the security of the Arabian peninsula but the Persian Gulf as well. Although acknowledging recent Omani successes over the rebels, Tehran radio has suggested that the rebel acquisition of SA-7 surface-to-air missiles has altered the military situation.



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ANGOLA

The Popular Movement for the Liberation of Angola—the dominant nationalist group in the territory—may be moving toward a unilateral declaration of independence before November 11, the date Lisbon is scheduled to transfer sovereignty. An attempt to seize full political power could come before the end of October.

In a speech earlier this week in Luanda, Movement President Agostinho Neto declared that his organization will proclaim independence for Angola "within a few weeks, come what may." Neto has previously asserted that the Movement would seize power only if the Portuguese attempted to turn the Angolan problem over to the UN.

Neto's remarks may have been prompted by a growing concern within his organization that Portugal is still not ready to transfer sovereignty to a single liberation group, no matter what advantages it may hold over its rivals.

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In recent weeks, Movement officials have worked hard to cultivate the impression that their organization is the only liberation group capable of running an independent Angolan government. Their efforts have been based on the belief that Lisbon eventually would abandon its avowed policy of promoting a coalition government for Angola.

In early October, however, the new Azevedo government sent an emissary to Lourenco Marques to underscore to the new nationalist government in Mozambique Portugal's continuing effort to find an alternative to turning over power to the Popular Movement. The Mozambican regime has close ties to the Popular Movement.

Foreign Minister Antunes reaffirmed that policy at the UN General Assembly session last week, stating that his government continues to recognize all three liberation groups as having a legitimate and equal claim to political participation after independence. He also proposed convening a meeting of Portuguese officials, the liberation groups, and selected African mediators to find an effective means of transferring sovereignty to a coalition. It seems unlikely that the Popular Movement would agree to attend such a meeting.

Movement officials reportedly decided recently to postpone any final decision on a unilateral declaration of independence until after the departure of an OAU reconciliation committee now in Angola. The committee is charged with

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investigating the possibility of a coalition of the three liberation groups. The Popular Movement clearly would like to win the committee's endorsement as the only legitimate representative of the Angolan people, presumably in expectation that such an endorsement would convince the Portuguese to back down. The committee is scheduled to present a report to the OAU secretary general by the end of the week.

If the Portuguese continue to hold firm in their refusal to give sole recognition to the Movement, its leaders may feel they have no choice but to seize power. [redacted] Movement leaders may be confident, because of the assurances of recognition they have already privately obtained from Communist and many third world countries, that they can weather a controversy concerning the legitimacy of a Popular Movement government.

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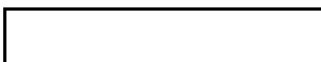
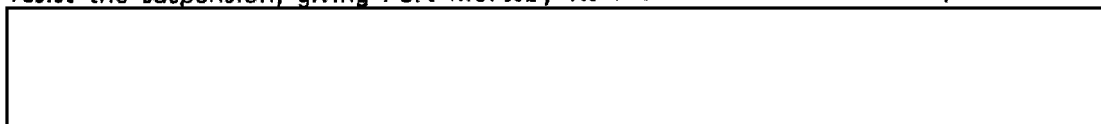
PAPUA NEW GUINEA

After only one month of independence, the government of Papua New Guinea is being forced to come to grips with the secessionist problem in its most important revenue-producing territory, Bougainville Island.

During the last two weeks, leaders in Port Moresby have learned that the secessionist movement is far stronger and more dangerous than previously believed. The movement reportedly is well organized at all levels, well financed by private businessmen, and supported by most of the island's population.

Following long-distance telephone consultations with Prime Minister Somare, who is attending the UN General Assembly session in New York, Acting Prime Minister Kiki suspended the Bougainville Provincial Government on October 16. This presumably means that the central government is imposing direct rule and that local provincial officials, most of whom are believed to support secession, are supposed to stop performing their duties.

A substantial proportion of the provincial officials on Bougainville are likely to resist the suspension, giving Port Moresby its first severe test since independence.



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PANAMA

The visit to Cuba of a high-level Panamanian National Guard delegation, purportedly to examine Cuban arms and equipment, is probably aimed mainly at catching the US eye in connection with canal treaty negotiations.

The chief of the delegation told a press conference at the Cuban embassy that his group planned to meet Prime Minister Castro and to inspect military armament. According to the Cuban ambassador, this included armor, artillery, rockets, and aircraft. The Panamanian press has so far cast the visit in terms of an exchange of revolutionary rapport and as a way to improve the National Guard's defense capabilities to enable it to assume a larger role in canal defense.

Since the present leadership came to power, the Guard has attempted to upgrade its arms capability



While the Panamanian contingent may investigate the possibility of purchasing Soviet arms and equipment, it is unlikely that Panama will seriously pursue such a deal. The Panamanian government is aware of the political pitfalls involved in a deal with Cuba or the USSR. General Torrijos is aware of the negative impact such an arms deal would have on his chances of getting a future canal treaty ratified by the US Congress.

Torrijos could be hoping, however, that the review of Cuban weapons will cause the US to change what he views as its reluctance to sell Panama arms.



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ARGENTINA

President Maria Estela Peron appears to have bought some time for her administration with her non-controversial address yesterday at a major Peronist rally.

For the present, at least, Peron seems willing to follow the dictates of political and military leaders. She adhered closely to a prepared text that touched on three popular themes—evoking her husband's memory, denouncing terrorism, and promising support for the armed forces in their fight against subversion. In addition, she reiterated an earlier promise to resume the dialogue with all political groups that was begun by Juan Peron.

These remarks were well received by a crowd of about 70,000 Peronists—a larger attendance had been hoped for. Police and labor officials had taken extensive security precautions in response to terrorist threats, and there were no major incidents.

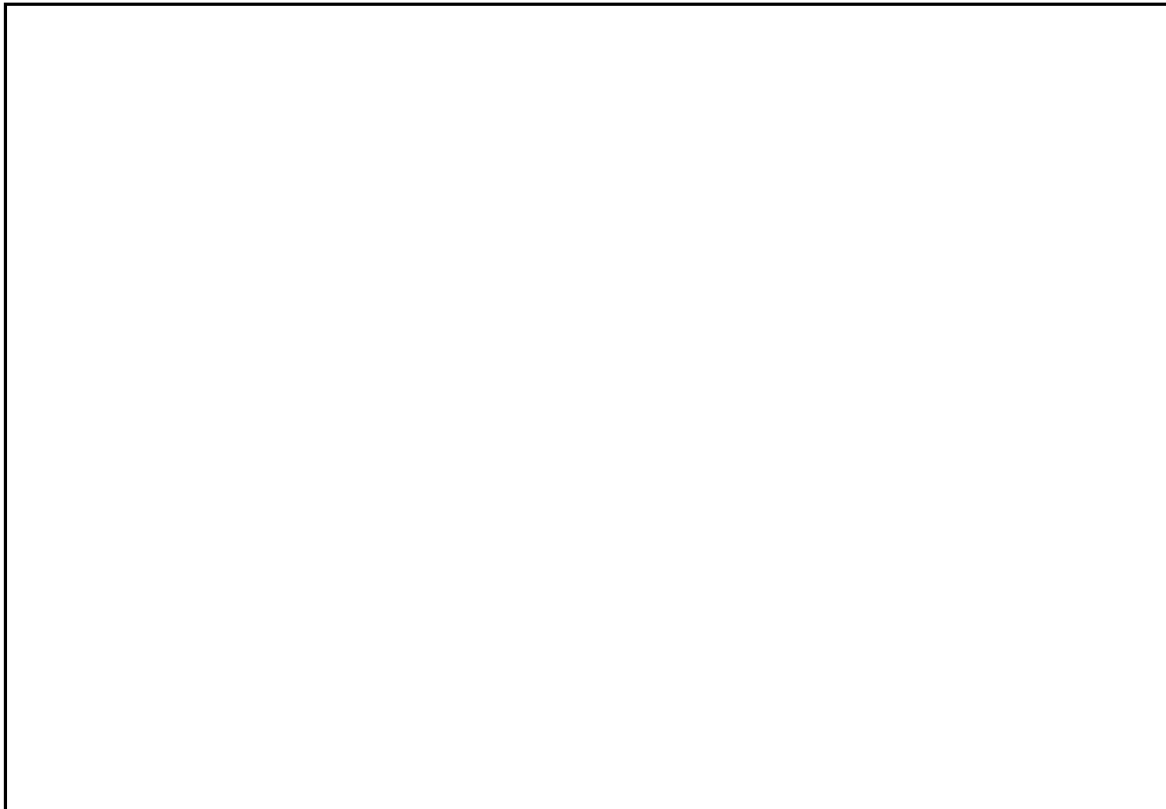
The surface calm is likely to be only temporary. The return of the widely discredited President undoubtedly will increase political tensions, especially within the already factionalized Peronist movement.

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USSR-NORWAY: The Soviets have accepted a Norwegian proposal to resume talks on November 24 on delimiting their continental shelf boundary in the Barents Sea. The first round ended inconclusively late last year, and it is unlikely that much progress will be made at the forthcoming session. Norway advocates drawing a "median line" between the neighboring land masses, while the Soviets want to place the line farther west, based on what they claim are special historical and geographical circumstances.



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